

STATE: North Dakota

Attachment 4.19 D
PAGE 1

The State has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

Approval Date 04/10/98
Effective Date 01/01/98

Plan # 98-002
Supersedes Plan # New

Table of Contents

<u>Title</u>	<u>Pages</u>
Section 1 - Definitions	1
Section 2 - Financial Reporting Requirements	5
Section 3 - General Cost Principles	9
Section 4 - Vacated	10
Section 5 - Exclusions	11
Section 6 - Resident Days	12
Section 7 - Direct Care Costs	13
Section 8 - Other Direct Care Costs	14
Section 9 - Indirect Care Costs	15
Section 10 - Property Costs	18
Section 11 - Cost Allocations	19
Section 12 - Nonallowable Costs	23
Section 13 - Offsets to Costs	28
Section 14 - Home Office Costs	30
Section 15 - Related Organizations	31
Section 16 - Compensation	32
Section 17 - Bad Debts	33
Section 18 - Depreciation	34
Section 19 - Interest Expense	38
Section 20 - Taxes	40
Section 21 - Startup Costs	41
Section 22 - Funded Depreciation	42
Section 23 - Rate Calculations	45
Section 24 - Adjustment Factors for Direct Care, Other Direct Care and Indirect Care Costs	46
Section 25 - Rate Limits and Incentives	47
Section 26 - Rate Adjustments	49
Section 27 - Rate Payments	51
Section 28 - Special Rates	52
Section 29 - One Time Adjustments	55
Section 30 - Notification of Rates	59
Section 31 - Reconsiderations and Appeals	60
Section 32 - Classifications	61
Section 33 - Vacated	67
Section 34 - Vacated	67
Section 35 - Resident Personal Funds	68
Section 36 - Specialized Rates for Extraordinary Medical Care	69
Vacated	Appendix A
Instructions for Rate Calculation and Sample Calculation	Appendix B
Proportionate Share Pool Calculation Example	Appendix C

TN No. 99-010

Supersedes

Approval Date 09/22/99Effective Date 04/01/99TN No. 99-001

Section 1 - Definitions

1. "Accrual basis" means the recording of revenue in the period when it is earned, regardless of when it is collected, and the recording of expenses in the period when incurred, regardless of when they are paid.
2. "Actual rate" means the facility rate for each cost category calculated using allowable historical operating costs and adjustment factors.
3. "Adjustment factor" means the appropriate economic change index.
4. "Admission" means anytime a resident is admitted to the facility from an outside location, including readmission resulting from a discharge.
5. "Allowable cost" means the facility's actual cost after appropriate adjustments as required by medical assistance regulations.
6. "Chain organization" means a group of two or more health care facilities which are owned, leased, or through any other device controlled by one business entity. This includes not only proprietary chains but also chains operated by various religious and other charitable organizations. A chain organization may also include business organizations which are engaged in other activities not directly related to health care.
7. "Community contribution" means contributions to civic organizations, and sponsorship of community activities. It does not include donations to charities.
8. "Cost category" means the classification or grouping of similar or related costs for purposes of reporting, determination of cost limitations, and determination of rates.
9. "Cost center" means a division, department, or subdivision thereof, group of services or employees or both, or any unit or type of activity into which functions of a facility are decided for purposes of cost assignment and allocations.
10. "Cost report" means the department approved form for reporting costs, statistical data and other relevant information of the facility.
11. "Department" means the Department of Human Services.
12. "Depreciable assets" means any building, furniture, fixture or equipment for which the cost must be capitalized for ratesetting purposes.
13. "Depreciation" means an allocation of the cost of an asset over its estimated useful life.

TN No. 98-002

Supersedes

TN No. 94-001Approval Date 04/10/98Effective Date 01/01/98

14. "Desk audit rate" means the rate established by the department based upon a review of the cost report submission prior to an actual audit of the cost report.
15. "Direct costing" means identification of actual costs directly to a facility or cost category without use of any means of allocation.
16. "Direct care costs" means the cost category for allowable nursing and therapy costs.
17. "Discharge" means the voluntary or involuntary release of a bed by a resident when the resident vacates the nursing facility premises.
18. "Employment benefits" means fringe benefits, other employee benefits including vision insurance, disability insurance, long-term care insurance, employee assistance programs and employee child care benefits and payroll taxes.
19. "Established rate" means the rate paid for services.
20. "Facility" means a nursing facility. It does not mean an intermediate care facility for the mentally retarded.
21. "Fair market value" means value at which an asset could be sold in the open market in a transaction between informed, unrelated parties.
22. Vacated
23. "Final rate" means the rate established after any adjustments by the department, including, but not limited to, adjustments resulting from cost report reviews and audits.
24. "Freestanding facility" means a nursing facility which does not share basic services with a hospital-based provider.
25. "Fringe benefits" means worker's compensation insurance, group health or dental insurance, group life insurance, retirement benefits or plans, uniform allowances, and medical services furnished at nursing facility expense.
26. "Highest market driven compensation" means the highest compensation given to an employee of a freestanding facility who is not an owner of the facility or is not a member of the governing board of the facility.
27. "Historical operating costs" means the allowable operating costs incurred by the facility during the report year immediately preceding the rate year for which the established rate becomes effective.
28. "Hospital leave day" means any day that a resident is not in the facility, but is in an acute care setting as an inpatient.

TITLE

Date Appr.

Effective Date

Supersedes Transmittal

94-001
05/25/94
11/1/94
92-003

29. "Indirect care costs" means the cost category for allowable administration, plant, housekeeping, medical records, chaplain, pharmacy and dietary, exclusive of food costs.
30. "In-house resident day" for nursing facilities means a day that a resident was actually residing in the facility and was not on therapeutic leave or in the hospital. "In-house resident day" for hospitals means an inpatient day.
31. "Limit rate" means the rate established as the maximum allowable rate for a cost category.
32. "Lobbyist" means any person who in any manner, directly or indirectly, attempts to secure the passage, amendment, defeat, approval or veto of any legislation, attempts to influence decisions made by the legislative council, and is required to register as a lobbyist.
33. "Medical assistance program" means the program which pays the cost of health care provided to eligible recipients pursuant to NDCC Chapter 50-24.1.
34. "Medical records costs" means costs associated with the determination that medical record standards are met and with the maintenance of records for individuals who have been discharged from the facility. It does not include maintenance of medical records for in-house residents.
35. "Other direct care costs" means the cost category for allowable activities, social services, laundry and food costs.
36. "Payroll taxes" means the employer's share of FICA taxes, governmentally required retirement contributions, and state and federal unemployment compensation taxes.
37. Vacated
38. "Private-pay resident" means a nursing facility resident on whose behalf the facility is not receiving medical assistance payments and whose payment rate is not established by any governmental entity with rate setting authority including Veteran's Administration or medicare.
39. "Private room" means a room which is equipped for use by only one resident.
40. "Property costs" means the cost category for allowable real property costs and other costs which are passed through.
41. "Provider" means the organization or individual who has executed the provider agreement with the department.

TRANSMITTAL NO. 94001
Date Approved 05/25/94
Effective Date 1/1/94
Supersedes Transmittal 92-003

41. "Provider" means the organization or individual who has executed the provider agreement with the department.
42. "Rate year" means the calendar year from January 1 through December 31.
43. "Reasonable resident-related cost" means the cost that must be incurred by an efficiently and economically operated facility to provide services in conformity with applicable state and federal laws, regulations, and quality and safety standards. Reasonable resident-related cost takes into account that the provider seeks to minimize its costs and that its actual costs do not exceed what a prudent and cost conscious buyer pays for a given item or services.
44. "Related organization" means a close relative or person or an organization which a provider is, to a significant extent, associated with, affiliated with, able to control, or controlled by, and which furnishes services, facilities, or supplies to the provider. Control exists where an individual or an organization has the power, directly or indirectly, significantly to influence or direct the policies of an organization or provider.
45. "Report year" means the fiscal year from July 1 through June 30 for the year immediately preceding the rate year.
46. "Resident" means a person who has been admitted to the facility, but not discharged.
47. "Resident day" in a nursing facility means all days for which service is provided or for which payment is ordinarily sought, including hospital leave and therapeutic leave days. The day of admission will be counted. The day of death is a resident day. The day of discharge is not a resident day. "Resident day" in a hospital means all inpatient days for which payment is ordinarily sought.
48. "Routine hair care" means hair hygiene which includes grooming, shampooing, cutting and setting.
49. "Significant capacity increase" means an increase of fifty percent or more in the number of licensed beds or an increase of twenty beds, whichever is greater. It does not mean an increase by a facility which reduces the number of its licensed beds and thereafter relicenses those beds. It does not mean an increase in a nursing facility's capacity resulting from converting beds formerly licensed as basic care beds.
50. "Standardized resident day" means a resident day times the classification weight for the resident.

51. "Therapeutic leave day" means any day that a resident is not in the facility, another nursing facility, an intermediate care facility for the mentally retarded, a basic care facility, or an acute care setting, or, if not in an institutional setting, is not receiving home and community based waived services.
52. "Top management personnel" means owners, board members, corporate officers, general, regional, and district managers, administrators, and any other person performing functions ordinarily performed by such personnel.
53. "Bona fide sale" means the purchase of a facility's capital assets with cash or debt in an arm's length transaction. It does not include:
- a. A stock purchase of a facility;
 - b. A sale and leaseback to the same licensee;
 - c. A transfer of an interest to a trust;
 - d. Gifts or other transfers for nominal or no consideration;
 - e. A merger of two or more related organizations;
 - f. A change in the legal form of doing business;
 - g. The addition or deletion of a partner, owner, or shareholder; or
 - h. A sale, merger, reorganization, or any other transfer of interest between related organizations.
54. "Building" means the physical plant, including building components and building services equipment licensed as a facility, and used directly for resident care, and auxiliary buildings including sheds, garages, and storage buildings located on the site used directly for resident care.
55. "Capital asset" means a facility's buildings, land improvements, fixed equipment, movable equipment, leasehold improvements, and all additions to or replacements of those assets used directly for resident care.
56. "Close relative" means an individual whose relationship by blood, marriage, or adoption to an individual who is directly or indirectly affiliated with, controls, or is controlled by a facility, is within the third degree of kinship.
57. "Noncovered day" means any bed-hold day in excess of the State's bed-hold limit for which the resident may elect to pay.

TN No. 96-004
Supersedes
TN No. New

Approval Date 05/06/96

Effective Date 01/01/96

58. "Depreciation guidelines" means the latest revised edition of the American Hospital Association's guidelines as published by American Hospital Publishing, Inc. in "Estimated Useful Lives of Depreciable Hospital Assets."
59. "Fixed equipment" means equipment used directly for resident care affixed to a building, not easily movable, and identified as such in the depreciation guidelines.
60. "Hospice general inpatient care" means short-term inpatient care necessary for pain control or acute or chronic symptom management that cannot feasibly be provided in other settings. It does not mean care provided to an individual residing in a nursing facility.
61. "Institutional leave day" means any day that a resident is not in the facility, but is in another nursing facility, intermediate care facility for the mentally retarded, or basic care facility.
62. "Land improvements" means any improvement to the land surrounding the facility used directly for resident care and identified as such in the depreciation guidelines.
63. "Movable equipment" means movable care and support services equipment generally used in a facility, including equipment identified as major movable equipment in the depreciation guidelines.
64. "Respite care" means short-term care provided to an individual when necessary to relieve family members or other persons caring for the individual at home.
65. "Working capital debt" means debt incurred to finance nursing facility operating costs, but does not include debt incurred to acquire a capital asset or to refund or refinance debt associated with acquiring a capital asset.

Section 2 - Financial Reporting Requirements**1. Records.**

- a. The facility shall maintain on the premises the required census records and financial information in a manner sufficient to provide for a proper audit or review. For any cost being claimed on the cost report, sufficient data must be available as of the audit date to fully support the report item.
- b. Where several facilities are associated with a group and their accounting and reports are centrally prepared, added information must be submitted, for those items known to be lacking support at the reporting facility, with the cost report or must be provided to the local facility prior to the audit or review of the facility. Accounting or financial information regarding related organizations must be readily available to substantiate cost. Home office cost reporting and cost allocation must be in conformance with applicable sections in this manual and HCFA-15 paragraphs 2150 and 2153.
- c. Each provider shall maintain, for a period of not less than five years following the date of submission of the cost report to the department, accurate financial and statistical records of the period covered by such cost report in sufficient detail to substantiate the cost data reported. Each provider shall make such records available upon reasonable demand to representatives of the department or to the secretary of health and human services or representatives of the secretary.

2. Accounting and reporting requirements.

- a. The accrual basis of accounting in accordance with generally accepted accounting principles must be used for cost reporting purposes. A facility may maintain its accounting records on a cash basis during the year, but adjustments must be made to reflect proper accrual accounting procedures at year end and when subsequently reported. Rate setting procedures will prevail if conflicts occur between rate setting procedures and generally accepted accounting principles.
- b. To properly facilitate auditing, the accounting system shall be maintained in a manner that will allow cost accounts to be grouped by cost category and readily traceable to the cost report.

TRANSMITTAL NO. 94-001
Date Approved 05/25/94
Effective Date 11/1/94
Supersedes Transmittal 92-003

- c. No later than October first of each year, each facility will provide to the department:
- (1) A cost report for the report year ended June 30 on forms prescribed by the department.
 - (2) A copy of an audited report of the facility's financial records from an independent certified public accountant which must include an audited statement of the rates charged to private pay residents. The examination must be conducted in accordance with generally accepted auditing standards. For provider organizations that operate more than one nursing facility, a consolidated audit report can be provided. The information must be reconciled to each facility's cost report.
 - (3) A complete statement of fees and charges for private-pay residents for the report year.
 - (4) A statement of ownership for the facility, including the name, address, and proportion of ownership of each owner.
 - (a) If a privately held or closely held corporation or partnership has an ownership interest in the facility, the facility shall report the name, address, and proportion of ownership of all owners of the corporation or partnership who have an ownership interest of five percent or more, except that any owner whose compensation or portion of compensation is claimed in the facility's cost report must be identified regardless of the proportion of ownership interest.
 - (b) If a publicly held corporation has an ownership interest of 15 percent or more in the facility, the facility shall report the name, address, and proportion of ownership of all owners of the publicly held corporation who have an ownership interest of ten percent or more.
 - (5) Copies of leases, purchase agreements, appraisals, financing arrangements, and other documents related to the lease or purchase of the nursing facility, or a certification that the content of any such document remains unchanged since the most recent statement given pursuant to this subsection.
 - (6) Supplemental information reconciling the costs on the financial statements with costs on the cost report.

TRANSMITTAL NO. 94-001
Date Approved 05/25/94
Effective Date 1/1/94
Supersedes Transmittal 92-003